

11.1 MULTIPURPOSE AND EVACUATION CENTRE PROJECT - UPDATE - JUNE 2025 - ATTACHMENTS

Attachment Titles:

1. MEC Operating Options and Models

Attachment 1 - MEC Operating Options and Models



Tumut Multipurpose and Evacuation Centre Operating Options and Models

**Final
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Document Control

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1. Introduction

Xypher Sport and Leisure (Xypher) has been engaged by Snowy Valleys Council (SVC, Council) to prepare a rudimentary review of operating options and to model likely operational costs for the proposed Multipurpose and Evacuation Centre in Tumut.

1.1. Background

Snowy Valleys Council received funding from the Australian and NSW Governments Bushfire Local Economic Recovery Fund (BLERF) to build a Multipurpose Centre in Tumut which has sufficient capacity to double as an Evacuation Centre in times of emergency. The purpose-built multipurpose facility and evacuation centre will cater for multiple indoor sports, the size of two basketball courts to accommodate local, regional and state sporting competitions as well as a facility to host conferences, local school and community events.

The centre is proposed to be built at Richmond Park, opposite the Tumut Bowling Club and Council engaged Facility Design Group to prepare a detailed design and oversee all documentation required to lodge a Development Application. The Development is being assessed by the Joint Regional Planning Panel and is due for determination in June 2025.

The facilities included within the proposed centre include:

- Two multipurpose indoor sports courts catering for basketball, netball, volleyball, pickleball and badminton
- Bleacher seating
- Entry foyer with a reception area and kiosk
- Meeting room
- Male/female amenities/change rooms
- Access bathroom
- Referees room
- 1st aid
- Court control/competition administration room
- Storage

The site plan and floor plan for the proposed centre are shown in the figures below.

Figure 1 - Site Plan

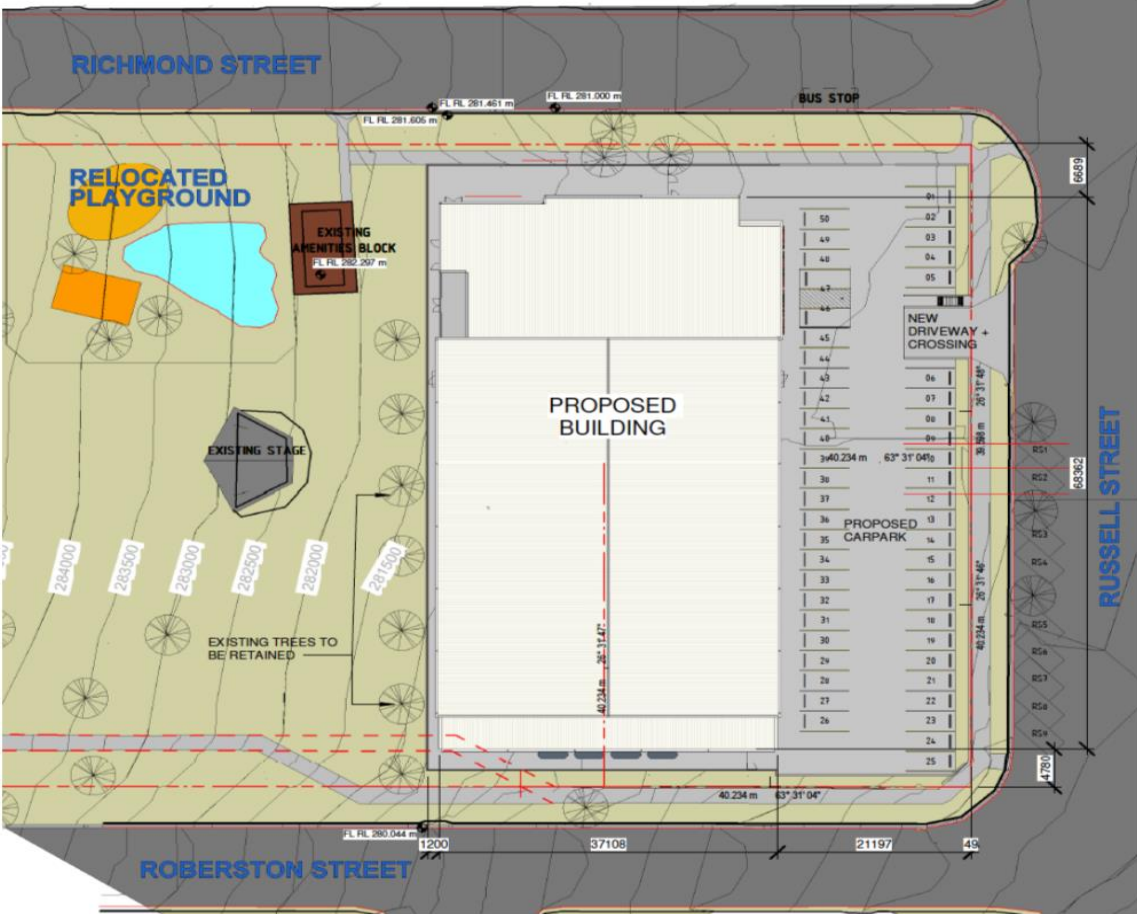
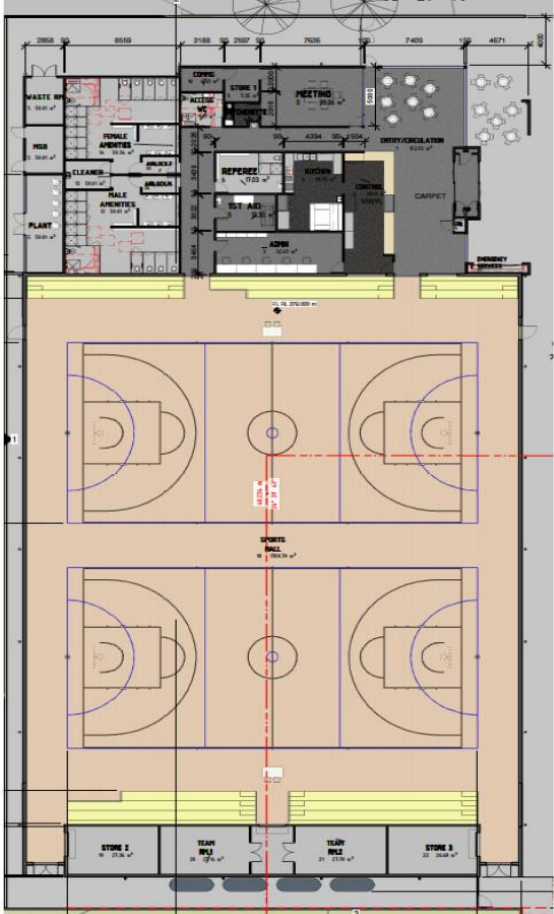


Figure 2 - Floor Plan



2. Management Options

Council is yet to finalise its preferred management model for the MEC and will undertake a full review and assessment process during the construction phase (commencing later in 2025). A general overview of management options is provided below followed by some commentary on specific options that may be available to Council on completion of the MEC.

2.1. Overview of Options

There are essentially five management options applicable to the management of publicly owned recreation and sport facilities (although each model can have multiple variations)¹. These management models fit into two categories outlined below.

Management by Council (Internal)

- a) Direct management by council staff
 - Involves employing staff to manage the facility. Council is responsible for all aspects of the facility's operation including operating policies, financial performance and asset management.
 - In some cases, a management committee may be established to help with policy development and to ensure community involvement in management decisions.
- b) Management by a committee of management or subsidiary company of council:
 - An extension of the direct management model is a formally constituted Committee of Management under Section 355 of the Local Government Act. A Council may establish committees to assist in the performance of its functions, for example to manage or administer property, facilities or activities on its behalf.
 - Alternatively, a Council can establish a company limited by guarantee under Section 358 of the Local Government Act to manage facilities and/or services on behalf of Council.
- c) Licence or season permit to use a recreation facility
 - A licence agreement exists where Council enters a licence detailing the rights and responsibilities of Council and the licensee. Council receives an agreed rental or income (or a percentage of the net surplus) but has no direct control over the day to day management.
 - A licence is used where the licensee has management rights only of grounds and or a facility. A licence does not convey or create an interest in a building or the land to a party and is typically utilised for shared use arrangements by sporting associations.

¹ This overview is adapted from the Recreation & Sport Facility Management Guide (SA).

- Whilst the contract management model (below) may be based on a licence agreement, this management model relates mainly to sporting clubs or associations which use a building or sports facility on a seasonal or other short term, periodic basis.

Management by a Non-Local Government Organisation (External)

d) Contract management

- Contract management exists where Council contracts out the management of the centre to an individual manager, a community based organisation or a facility management company.
- Responsibilities of the owner and contractor are set out in a formal contract for a fixed period, which may be a Licence, Lease or Management Agreement.

e) Lease

- A lease agreement exists where Council enters a lease detailing the rights and responsibilities of Council and the lessee. Council receives an agreed rental or income (or a percentage of the net surplus) but has no direct control over the day-to-day management.
- The lessee has full property rights and is responsible for financial performance, asset maintenance and operational policies. A lease is used where the group has exclusive possession of the premises for a fixed period.

For each model outlined above a unique solution must be designed to meet the specific needs of Council and its community. There is no single best solution or approach. In simple terms, there are good and bad examples of in-house managed recreation facilities and good and bad examples of externally managed recreation facilities. A key point to note is that both 'in-house' and 'external' management of recreation facilities will achieve policy outcomes desired by Council if the management model is correctly structured. Given this caveat, in practice the relative importance of a small number of criteria will suggest whether in-house or external management is most appropriate. This can be summarised as follows:

- Management by Council is best suited to situations where:
 - Council wishes to exert a high level of control over the day-to-day operation of the facility, including elected members making operational decisions on an ad hoc basis.
 - Council wants to ensure that the facility is maintained to a high standard and has the capacity to provide adequate funds for all categories of asset management including cyclical and structural maintenance.
 - Council wants to directly manage its potential risk exposure.
- Management by Council is not best suited to situations where:
 - The core purpose of a facility is to provide a commercial return on the investment.
 - Council does not have senior and/or executive staff with skills and experience in managing, operating and/ or maintaining the type of recreation facility under consideration.
- External management is best suited to situations where:

- Council wishes to minimise the cost of operating the facility. (e.g. where relevant through economies of scale and capability etc.)
- Council wants to attract a substantial capital investment in the facility or plant and equipment.
- Council wants a fixed budget to operate a recreation facility.
- The facility competes in a dynamic market, requiring rapid response to changing market conditions.
- Council wants to mitigate risk due to lack of operational capability)

2.2. Specific Management Options

From discussions with SVC staff and other stakeholders, it appears that the main management options available for the MEC would be:

- Direct management by Council staff
 - This would be built around utilising/extending existing Council staff resources to administer and maintain the facility. With courts hired to local sporting groups, community users and event organisers. Council may also be able to run sport and other community programs to generate additional revenue.
- A lease (exclusive) or licence (non-exclusive) to a community group or sports association
 - Subject to an open expression of interest process (for a term greater than 5 years), an existing sporting organisation and/or an incorporated group of sports may be able to lease the facility on a 'peppercorn' arrangement and take responsibility for administration and day to day maintenance.
 - This could include lease conditions to facilitate use by all sporting organisations and the general community.
- A management agreement with a community based organisation or commercial entity
 - Subject to an open expression of interest or request for proposal, a 'third party' could manage the facility on Council's behalf and take responsibility for administration and day to day maintenance.
 - The management entity would operate the centre in alignment with Council policies, objectives and performance criteria.

2.2.1. Council Policy

These options are in alignment with Council's *Community and Recreational Facilities Management Policy* which states that:

"Council's Community and Recreational Facilities will generally be managed in a manner which maximises their availability for current residents and maintains the facility for future residents. Wherever possible, Council will implement a strategy of shared use of any facility, and this will be further supported by the development of multi-use community facilities. A range of management models and agreements including direct Council management, community management, non-exclusive licenses and leases will be used."

Amongst other things, the purpose of the policy is to:

- *Encourage the optimal use of Councils Community and Recreational facilities to cater for a range of community and sporting groups.*

- *Ensure that the process for which Council's Community and Recreational Facilities are managed is structured and transparent.*
- *Ensure fair and equitable access to Council's Community and Recreational Facilities for user groups and individuals is achieved.*
- *Establish a more collaborative and partnering approach with the community on how Council can deliver specific services and programs that the community has identified it needs at Council owned facilities.*

In alignment with the policy, it is understood that Council's aim for the MEC is to ensure its administration and operational costs are minimised whilst encouraging higher utilisation through enabling a broader range of user groups to have access to the venue all year round.

3. Operating Models

This section outlines possible operating outcomes for the main management options identified above.

3.1. Sport Demand

The core demand and utilisation of the venue is based on community sport use including, but not limited to, basketball, netball, futsal, volleyball, pickleball and badminton. Of these, basketball is likely to make up the bulk of use including transferring most of their current competition activities from their existing facility (retaining training activities at the existing site).

Basketball in Tumut is very strong compared to overall NSW rates. With 652 members in 2024, the LGA has one of the highest membership rates in the state at approximately 4.3%, compared to a state average of around 1.0%. This rate compares well with the rest of the Riverina area which has a healthy membership rate of 2.5%. Tumut Basketball has consistently had a membership over 500 for the past 5 years. It also has a high proportion of female members, around 40% compared to a state average of 27%.

Local community members are proposing to establish the Tumut Indoor Netball Association (TINA) and have indicated that peak demand would require up to two evenings a week to cater for junior (primary), youth (high school) and senior netball. Anecdotal demand across the shire is such that up to and over 32 teams may be formed requiring 16+ court hours per week to accommodate it.

Local football representatives have stated that peak demand for futsal would exceed 20 teams (requiring 10 court hours to accommodate) within a 2-3 year timeframe. Initial programs are likely to start with 10-12 teams. Whilst not quantified in project consultation, it is expected that volleyball, pickleball and badminton programs would be established within the MEC.

3.2. General Assumptions

Indoor sport activities tend to take place mainly on weekday evenings (between 4pm and 10pm) with weekend activities normally associated with representative competitions and events. Competitions tend to run year round in alignment with school terms and/or seasonal winter and summer competitions.

In consultation with Council staff and relevant sporting bodies the following operating model assumptions have been made:

- Court use
 - Transfer of existing basketball competitions/programs (36 hrs/wk) to the MEC (training activities to remain at current site).
 - Establishment of futsal, netball and pickleball programs (competitive and social – 24 hrs/wk).
 - Allowance for up to 3 events per annum.

- Allowance for a small number of school holiday programs.
 - Demand is reduced in years one and two to allow programs to establish and grow, stabilising by year three.
- Venue hire
 - Court hire fees are set at \$40/hr (off peak) and \$50/hr (peak).
 - This is lower than many other Council facilities in other LGAs (e.g. Albury and Wagga Wagga range between approximately \$50/hr and \$60/hr) but aligns approximately with current costs associated.
 - Tumbarumba Sports Stadium fees are \$30/hr for 'night' court hire (reduced from \$45/hr the previous year).
- Operational costs
 - Minimal energy costs due to proposed solar and battery system.
 - Allowances for other utilities, rates, waste and security.
 - Allowances for cleaning, equipment maintenance and minor fixture maintenance.
 - Allowance for maintenance of court surface every two years.
- Annual Indexation
 - CPI – 2%.
 - Price growth of 0.3% over CPI.
 - Annual Salary Increase of 1.2% over CPI.
- Depreciation, asset renewal and insurance cost not included in the operational model
 - From an accounting perspective, SVC staff have advised that depreciation will be based on a 40 year period (2.5% of building construction costs[\$5.86M]) which equates to \$146,500 per annum.
 - Asset lifecycle costs will be accommodated within Council's asset management system and long term financial plan
 - Council's building insurance is based on the value of Council's total asset portfolio and previous claims. Therefore, a specific cost attributable to adding the value of the MEC is not possible.

3.3. Council Management

This would be built around utilising/extending existing Council staff resources to administer and maintain the facility. With courts hired to local sporting groups, community users and event organisers.

Key assumptions for this model:

- Council would staff the facility with 1 Full Time Equivalent load split across 3 part-time positions (administration, maintenance and cleaning).
- Staff would not be onsite during all operational hours with late (say after 7pm) bookings being 'dry hire' (similar to community halls) with the user obligated to leave the venue clean, tidy and secured after use.
- Court hire of \$40/h off peak and \$50/h peak.

Figure 3 - Forecast 10-Year Financial Outcomes - Direct Management

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue										
Indoor Sports Halls	\$103,500	\$112,900	\$123,500	\$127,000	\$131,500	\$136,000	\$140,700	\$145,600	\$149,000	\$152,400
Sponsorship/Commercial	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Kiosk	\$19,200	\$20,900	\$22,700	\$23,400	\$24,100	\$24,900	\$25,700	\$26,500	\$27,000	\$27,500
Meeting Room	\$6,200	\$6,300	\$6,400	\$6,500	\$6,700	\$6,800	\$6,900	\$7,100	\$7,200	\$7,400
Total Revenue	\$128,900	\$140,100	\$152,600	\$156,900	\$162,300	\$167,700	\$173,300	\$179,200	\$183,200	\$187,300
Expenditure										
Staff	\$88,600	\$90,400	\$92,200	\$94,000	\$95,900	\$97,800	\$99,800	\$101,800	\$103,800	\$105,900
Operating Costs	\$61,000	\$62,200	\$63,500	\$64,700	\$66,000	\$67,300	\$68,700	\$70,100	\$71,500	\$72,900
Energy	\$5,100	\$5,300	\$5,400	\$5,500	\$5,600	\$5,700	\$5,800	\$5,900	\$6,000	\$6,100
Kiosk CoG	\$15,400	\$16,700	\$18,200	\$18,700	\$19,300	\$19,900	\$20,500	\$21,200	\$21,600	\$22,000
Total Expenditure	\$170,100	\$174,600	\$179,300	\$182,900	\$186,800	\$190,700	\$194,800	\$199,000	\$202,900	\$206,900
Operating - surplus/(deficit)	(\$41,200)	(\$34,500)	(\$26,700)	(\$26,000)	(\$24,500)	(\$23,000)	(\$21,500)	(\$19,800)	(\$19,700)	(\$19,600)

This model shows that:

- Revenue will range from \$128,900 in Year 1 through to \$187,300 by Year 10
- Expenditure will range from \$170,100 in Year 1 through to \$206,900 by Year 10
- The operating result ranges from a \$41,200 deficit in Year 1 down to a \$19,600 deficit in Year 10

Some sensitivity testing was carried out to establish a potential range of operational outcomes. This was performed on Year 3 figures (when operational patterns should be established). The sensitivity test and results are shown below (base model Year 3 result is a deficit of \$26,700):

- Increase court hire rates by 10% (the proposed rates are on the lower side)
 - Year 3 deficit of \$14,400
- Decrease demand by 10%
 - Year 3 deficit of \$39,500
- Increase demand by 5%
 - Year 3 deficit of \$20,300

The sensitivity testing shows that a likely Year 3 result ranges from \$14,400 deficit to a \$39,500 deficit.

3.4. Lease Agreement

Under this model, the community group(s) is likely to rely on a mixture of paid and volunteer resources with the aim of keep venue hire costs to a minimum. Council should have no direct operational costs but would need to establish legal agreements and monitor compliance with lease conditions.

Key assumptions for this model:

- A community organisation would lease the facility on a nominal rent, collect revenue, absorb administration, utilities, cleaning and 'day to day'/annual maintenance costs.
- Council would be responsible for bi-annual floor maintenance costs \$20,000 (\$10,000 annualised figure).
- Council would be responsible for asset renewal.

Under this model the premise would be that there would be no operational cost to council except for the floor resurfacing every two years, cost \$10,000 on an annualised basis.

3.5. Management Agreement

Under this model, a third party would manage the venue on Council's behalf in line with agreed policies, objectives and performance criteria. This would include the fees to be charged, operating hours, etc. The operator may seek a fee from Council for management services and/or seek to establish a 'margin' on operations. Generally this option involves the operator working on an 'open book' basis by providing an annual report to Council on venue operations and financials.

Key assumptions for this model:

- A third party would operate the venue on Council's behalf and collect revenue, absorb administration, utilities, cleaning and 'day to day'/annual maintenance costs.
- Depending on financial results, the operator may require a management fee from Council (to offset potential losses or unviable operating margins). In this model we have assumed a fee of 8% of revenue would be the minimum net result for the operator and that the operator would retain any net profit from operations above this amount.
 - This would mean that Council would be responsible for any operational losses. This will be necessary initially given the unknown nature of actual venue operational performance.

- The operator may be able to establish more efficient operational frameworks and/or generate additional revenue through a more commercial approach including sponsorship, running 'in-house' programs and/or events and functions. Therefore revenue should be higher whilst costs are maintained or lower.
- Council would be responsible for asset maintenance.

Figure 4 Forecast 10-Year Financial Outcomes - Management Agreement

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue										
Indoor Sports Halls	\$108,600	\$118,500	\$129,700	\$133,400	\$138,000	\$142,800	\$147,800	\$152,900	\$156,400	\$160,000
Sponsorship/Commercial	\$13,800	\$19,800	\$28,200	\$28,700	\$29,900	\$30,200	\$30,900	\$31,700	\$32,300	\$33,000
Kiosk	\$20,200	\$21,900	\$23,800	\$24,500	\$25,300	\$26,100	\$26,900	\$27,800	\$28,300	\$28,900
Meeting Room	\$6,200	\$6,300	\$6,400	\$6,500	\$6,700	\$6,800	\$6,900	\$7,100	\$7,200	\$7,400
Total Revenue	\$148,800	\$166,500	\$188,100	\$193,100	\$199,900	\$205,900	\$212,500	\$219,500	\$224,200	\$229,300
Expenditure										
Staff	\$85,200	\$86,900	\$88,700	\$90,400	\$92,200	\$94,100	\$96,000	\$97,900	\$99,800	\$101,800
Operating Costs	\$61,000	\$62,200	\$63,500	\$64,700	\$66,000	\$67,300	\$68,700	\$70,100	\$71,500	\$72,900
Energy	\$5,100	\$5,300	\$5,400	\$5,500	\$5,600	\$5,700	\$5,800	\$5,900	\$6,000	\$6,100
Kiosk CoG	\$16,100	\$17,600	\$19,100	\$19,600	\$20,300	\$20,900	\$21,600	\$22,200	\$22,700	\$23,100
Total Expenditure	\$167,400	\$172,000	\$176,700	\$180,200	\$184,100	\$188,000	\$192,100	\$196,100	\$200,000	\$203,900
Operating - surplus/(deficit)	(\$18,600)	(\$5,500)	\$11,400	\$12,900	\$15,800	\$17,900	\$20,400	\$23,400	\$24,200	\$25,400
Operator's Fee/Profit	\$11,900	\$13,400	\$15,100	\$15,500	\$16,000	\$17,900	\$20,400	\$23,400	\$24,200	\$25,400
Cost to council	(\$30,700)	(\$18,700)	(\$3,500)	(\$2,600)	(\$200)	\$0	\$0	\$0	\$0	\$0

Under this model Council would pay the venue operator a management fee (8% of revenue) and subsidise any losses. Once the venue started to make a profit greater than 8% of revenue, the cost to Council would be zero. The projected cost to Council is shown in the last row.

Some sensitivity testing was carried out to establish a potential range of operational outcomes. This was performed on year 3 figures (when operational patterns should be established). The sensitivity test and results are shown below (compared to a base model Year 3 cost of \$15,100):

- Increase court hire rates by 10% (the proposed rates are on the lower side)
 - Year 3 cost to Council of \$0 (\$16,100 operator profit)
- Decrease demand by 10%
 - Year 3 cost to Council of \$15,200
- Increase demand by 5%
 - Year 3 cost to Council of \$0 (\$17,700 operator profit)

The sensitivity testing shows that a likely Year 3 cost to Council ranges from \$0 to \$15,200.

4. Project Benefits

Along with the project costs, it is important to remember the benefits of the project. The MEC will secure a significant benefit to the community which will contribute to and enhance the overall liveability and attractiveness of Tumut. The community will be the beneficiaries of significant improvements to the overall functionality of the LGA and this will have resounding and cumulative impacts to the overall quality of life. The MEC will service the sport and recreation needs of multiple generations and lead to greatly increased active participation - enhancing health, fitness, social engagement and assist in the development of sporting opportunities, in an integrated community space.

A key characteristic of the project is that it will become entrenched into the local landscape and provide for improved liveability and resilience outcomes. It will provide a space for community gatherings, reducing social isolation and promoting cohesion. It will attract visitors from outside the suburb and LGA, generating economic benefits for local businesses.

Engaging in physical activity improves the mental wellbeing of participants. Studies have found that physical activity improves mental health by improving cognitive function and self-esteem and reducing negative moods, anxiety, and depression². Another study found physical activity helped improve mental wellbeing by alleviating symptoms like low self-esteem, social withdrawal anxiety and depression³. Additional mental wellbeing benefits of physical activity include social interaction, self-efficacy, and lower levels of distraction.⁴

A literature review⁵, focusing on papers on children and adolescent health over 20 years, found many psychological and social health benefits attributable to sports participation, with the most common being improved well-being and reduced stress. The review found that group based, and team based activities generally result in slightly higher mental health benefits than individual recreation activities, due to the social nature of participation.

High level outcomes/benefits of the project will include:

- Improved physical health in the community through increased participation in indoor sport and recreational activities including -
 - improved physical health
 - reduced risk of chronic and acute disease
 - improved mental health
 - improved education and productivity outcomes as a result of increased physical activity.
- An increase in community satisfaction through -

² Callaghan P.. Exercise: a neglected intervention in mental health care? J Psychiatric Mental Health Nursing. 2004

³ Guskowska M.. Effects of exercise on anxiety, depression and mood. Psychiatry Poland. 2004

⁴ Peluso MA, Andrade LH. Physical activity and mental health: the association between exercise and mood. Clinics. 2005

⁵ Eime, R., Young, J., Harvey, J., Charity, M., and Payne W, 2013; A systematic review of the psychological and social benefits of participation in sport for children and adolescents: informing development of a conceptual model of health through sport. International Journal of Behavioural Nutrition and Physical Activity, Volume 10.

- Improved access to a diverse range of community facilities
 - Increased range of community activities
- Social inclusion and connectedness via -
 - Increased level of engagement in the local community
 - Increased sense of belonging in the community

Cost benefit analysis on other similar projects have shown that the value of outcomes/benefits (social value) typically outweigh the costs leading to a positive cost benefit ratio and underpinning project investment (capital, operational and maintenance).

5. Conclusions and Recommendation

The review of the MEC management and operating models has established a range of options and potential financial scenarios. This section outlines key findings and identifies a recommended management model.

The following table presents the comparison of each base option across 10 years.

Figure 5 - Option Comparison – Estimated Cost to Council

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Direct Management	\$41,200	\$34,500	\$26,700	\$26,000	\$24,500	\$23,000	\$21,500	\$19,800	\$19,700	\$19,600
Lease Agreement	\$10,000	\$10,200	\$10,500	\$10,700	\$10,900	\$11,100	\$11,300	\$11,500	\$11,800	\$12,000
Management Agreement	\$30,700	\$18,700	\$3,500	\$2,600	\$200	\$0	\$0	\$0	\$0	\$0

This table shows that the cost-effective option is likely to be the Management Agreement approach, which, based on these models, may save Council approximately \$200,000 over 10 years. Sensitivity modelling demonstrated that the likely range of annual operating costs could be from \$0 (under the best performing management agreement model) up to approximately \$40,000 (under the worst performing direct management model).

Without conducting a thorough review, it is understood that Council may not have the capability or capacity to undertake a direct management approach and tends to 'out-source' management of comparable facilities. In fact, Council has a similar management licence in place for Pioneer Hall and Tumbarumba Sports Stadium.

Given the unknown nature of actual venue performance for both Council and any potential operator it would be beneficial to have some flexibility in the initial term of any management agreement which may include a '3+2' term enabling a review of performance after 3 years and/or renegotiation of financial terms based on actual performance. Council would need to document performance criteria for the management agreement which would facilitate the review and/or re-negotiation.

Nevertheless, it is worth noting that the opportunity for Council to pursue a management agreement approach and/or the commercial terms under which it is established will be highly subject to the market conditions and demand/interest.

Recommendation

It is recommended that Council prioritise pursuing the 'Management Agreement' model and test the market by preparing an Expression of Interest brief.

Appendix A –
